

Banking 101

AN MBA OVERVIEW



Michigan Bankers Association

John T. Llewellyn
Vice-President, Government Relations
jllewellyn@mbankers.com

David Worthams
Policy Director
dworthams@mbankers.com

Patricia Herndon
Advocacy Director
Pherndon@mbankers.com

Michigan Bankers Association
(517) 485-3600

Today's Agenda

- What is the Michigan Bankers Association?
- What is Depository Banking & The "Dual Banking System"
- Laws and regulations affecting banks and other financial institutions
- Recent developments



Michigan Bankers Association

What is the MBA

- The Michigan Bankers Association is the premier representative of Michigan Banks, representing approximately 150 of the institutions with a physical presence in Michigan.
- Established in 1887
- A tax exempt non profit Corporation
- Formed to protect the interests of Michigan banks in Washington and Lansing



Michigan Bankers Association

MBA Member Driven Standing Committees

- Audit/Risk Management Committee
- Bank Counsel Committee
- Bank Management Committee
- Commercial Lending Committee
- Environmental Affairs Committee
- Funds Management Committee
- Grassroots Advocacy Committee
- Human Resources Committee
- Marketing Committee
- Operations & Technology Committee
- Retail Lending Committee
- Taxation Committee
- Trust Counsel Committee
- Trust Executive Committee
- Trust Management Committee
- Trust Retirement Committee
- Trust Taxation Committee



Michigan Bankers Association

The Dual Banking System

Federal Banking System



National banks



Federal associations



Federal credit unions

State banking system



Banks



Savings & loans



Savings banks



Credit unions



Michigan Bankers Association

Examinations

- Banks and thrifts are periodically examined by their state and federal regulators.
- Areas of examination:
 - Safety and soundness
 - Consumer Compliance
 - Bank Secrecy Act
 - Trust Banks (where chartered)
 - Community Reinvestment Act compliance
 - Information technology
 - Bank Holding Company



Michigan Bankers Association

Dual Banking System - Choice of Charter

- Why choose one charter over another?

- Powers

- Some charters have broader powers than others.
 - Eg. OFIS opinion on power to make loans through auto dealers versus OCC preemption determination.

- Avoid state-by-state regulation
 - Attitude of the regulator
 - Cost
 - Avoiding multiple regulators

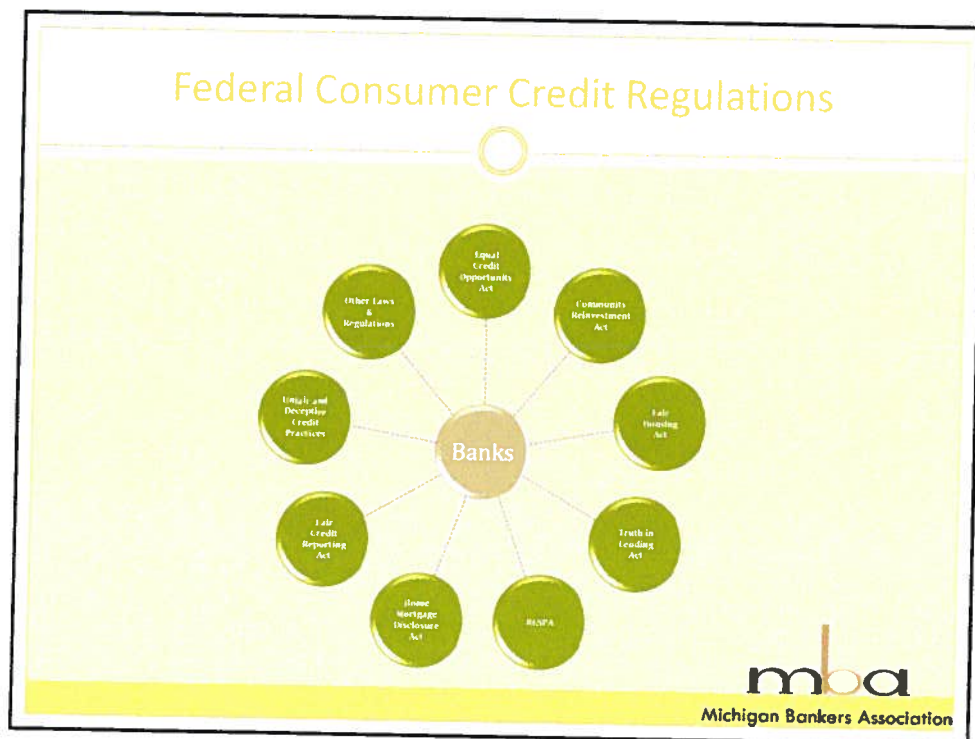
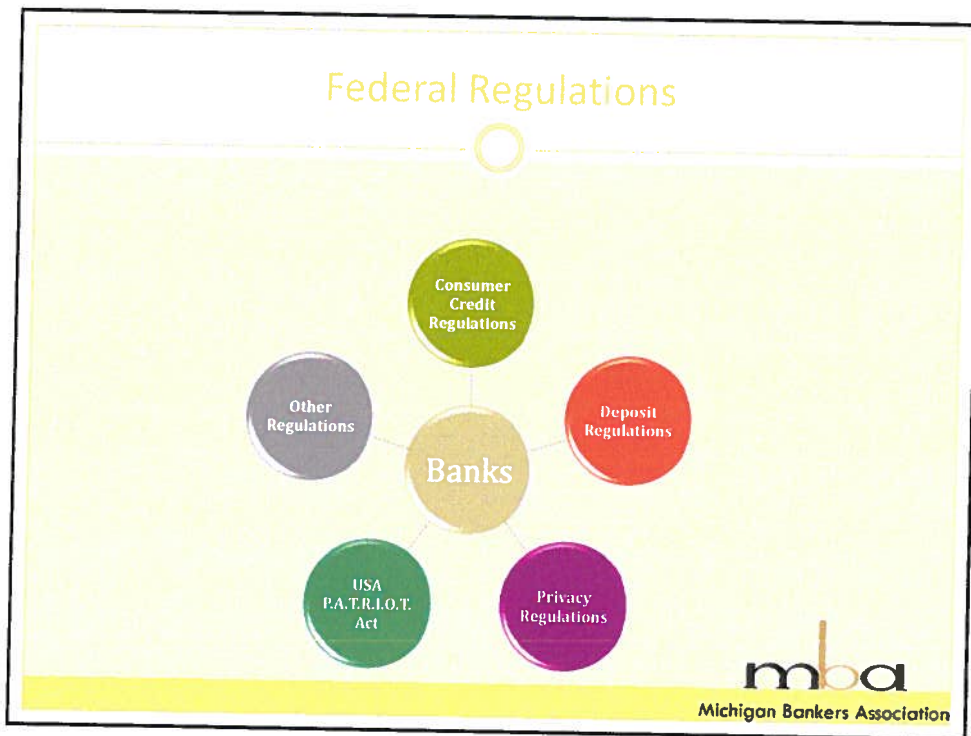


Michigan Bankers Association

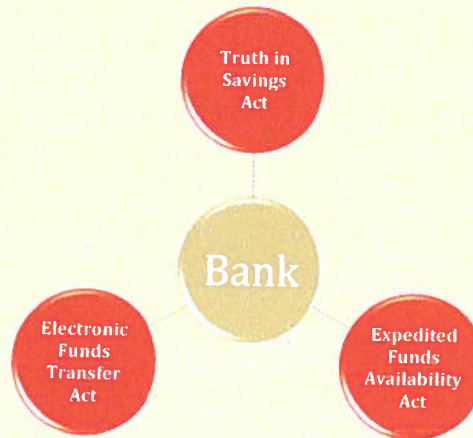
Laws and regulations affecting banks and other financial institutions



Michigan Bankers Association

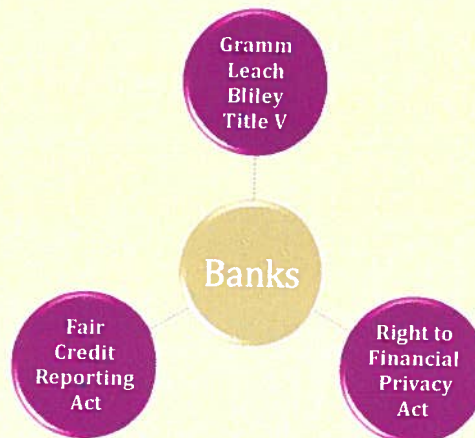


Deposit Account Regulations



mba
Michigan Bankers Association

Privacy Laws and Regulations



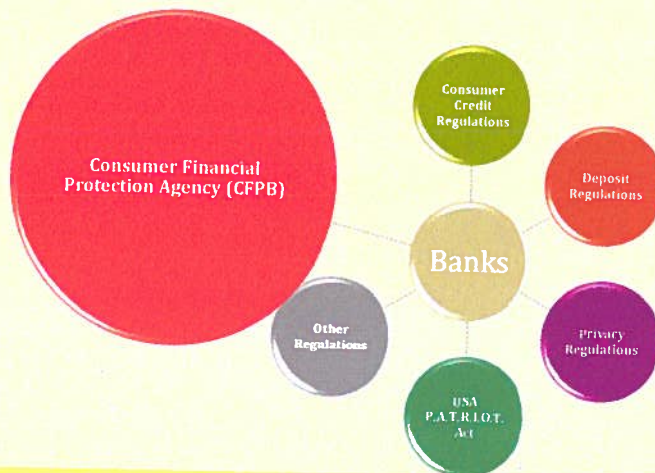
mba
Michigan Bankers Association

U.S.A. P.A.T.R.I.O.T. Act

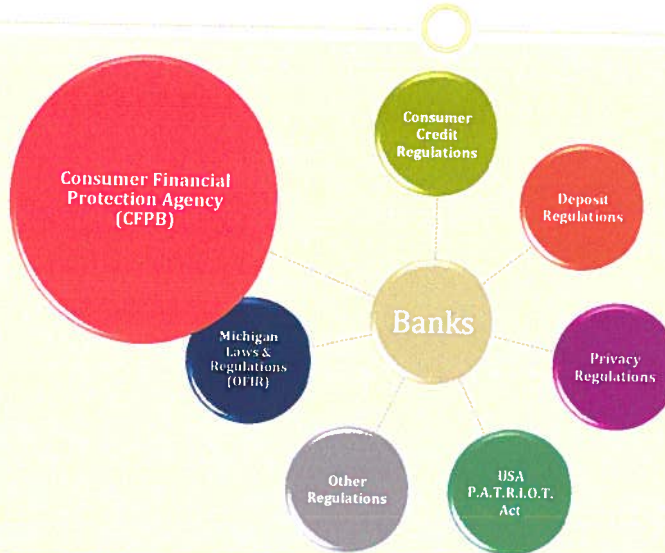
- Passed following 9-11.
- Continues to be the subject of much debate.
- Provisions that apply to banks apply to all “financial institutions.”
 - Broadly defined to include, among others, banks, trust companies, thrift institutions, private bankers, investment bankers, broker-dealers, investment companies.



Federal Regulations + CFPB



Federal Regulations + CFPB + Michigan Laws



mba
Michigan Bankers Association

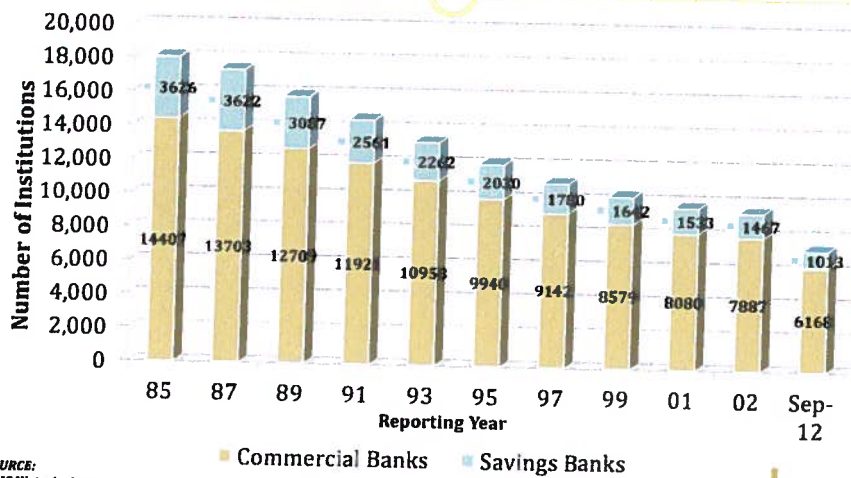
Michigan Laws



The Changing Marketplace

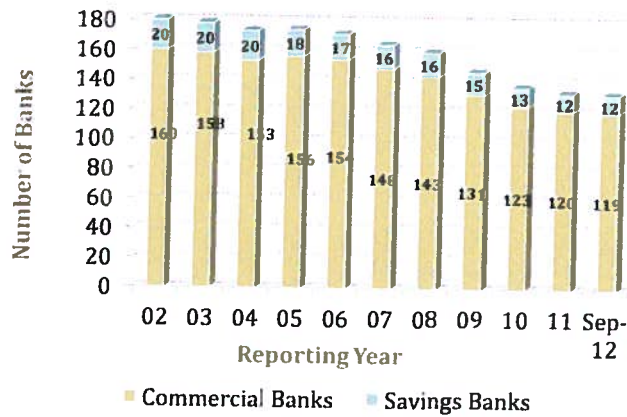
- Consolidation in the banking industry

Total Number of Institutions - Nationwide



SOURCE:
FDIC Historical Statistics on Banking;
FDIC QRP Stats-At-A-Glance September, 2012
Data does not include non-FDIC institutions

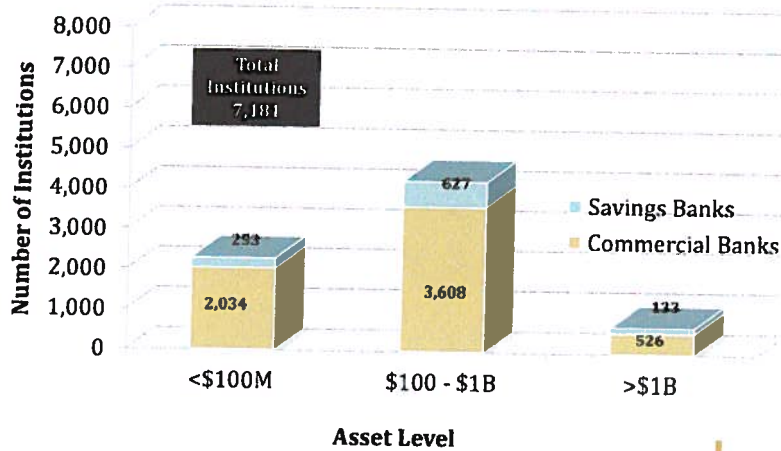
Total Number of Institutions Headquartered in Michigan



SOURCE:
FDIC September, 2012 Data
Data does not include non-FDIC institutions

mba
Michigan Bankers Association

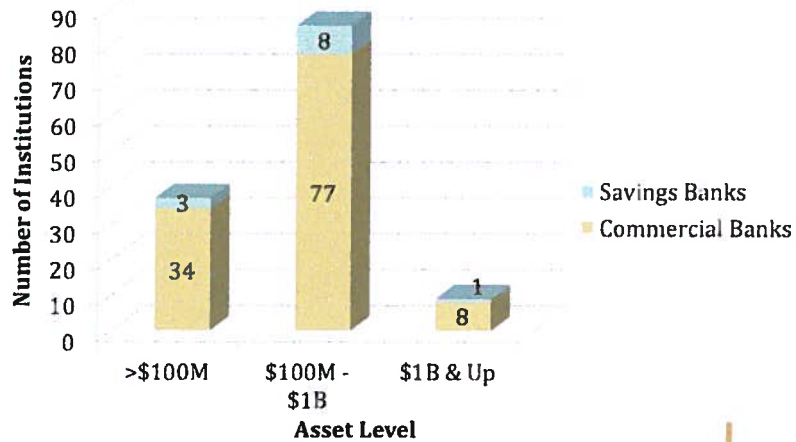
Total Number of Institutions in the Nation by Asset Size Group



SOURCE:
FDIC September 2012 Data
Data does not include non-FDIC institutions

mba
Michigan Bankers Association

Number of Michigan Institutions by Asset Size Group



SOURCE:
FDIC September 2012 Data
Data does not include non-FDIC Institutions

mba
Michigan Bankers Association

Competition



mba
Michigan Bankers Association

The Bank of the Future

- Financial Services Center for both retail and commercial customers
- Deposits and Loans
- Investment Center
- Insurance Center
- Real Estate Sales
- Financial Planning



Michigan Bankers Association

MBA Advocacy – Issues In Lansing

- Improvements in Michigan's Economy
- Mortgage Foreclosure Reform
- Blighted Property
- Fair Taxation of Financial Institutions
- Avoiding New Restrictions on Consumer Banking
- Preventing Financial Elder Abuse
- Domestic Asset Protection Trust
- Credit Union Charter Conversion



Michigan Bankers Association

MBA Advocacy – Issues in Washington

- Reforming the Dodd-Frank Act
- Reforming the Consumer Financial Protection Bureau
- Basel III Capital Rules
- Reforming Fannie Mae & Freddie Mac
- Ending Credit Union Free Ride
- Reinvigorating the Future of Community Banking
- Regulatory Relief
- Examining Banks in a More Balanced Way



Michigan Bankers Association

MBA Advocacy – Credit Unions

- Bank-like Credit Unions Need to Choose to Return to Traditional Credit Union Mission or Become a Mutual Savings Bank
- Significant Competitive Advantages over Community Banks
- \$951 Billion Industry
 - Tax Exemption costing federal government nearly \$8 billion over next five years
- Little Transparency in Credit Union Industry
- Must Make It Easier for Credit Unions to Become Banks if they choose to



Michigan Bankers Association

Banking 101

AN MBA OVERVIEW



Michigan Bankers Association

John T. Llewellyn
Vice-President, Government Relations
jllewellyn@mibankers.com

David Worthams
Policy Director
dworthams@mibankers.com

Patricia Herndon
Advocacy Director
Pherndon@mibankers.com

Michigan Bankers Association
(517) 485-3600